

Message Text

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21

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SUBJECT: CONTINUING DIFFICULTIES OF AMERICAN SUBSIDIARIES IN NAPLES

REF: A. NAPLES 427 B. NAPLES 556

C. NAPLES 309

BEGIN SUMMARY: PERIOD MAY 22-JUNE 3 MARKED BY LIMITED DEVELOPMENTS IN CONTINUING DIFFICULTIES OF AMERICAN SUBSIDIARIES IN NAPLES, INCLUDING: (A) ADDITIONAL PROGRESS IN RICHARDSON-MERRELL--ANIC NEGOTIATIONS; AND, (B) HEIGHTENED OPTIMISM REGARDING SOLUTION, ALBEIT OVER LENGTHY PERIOD, OF GENERAL INSTRUMENT'S PLANT OCCUPATION. END SUMMARY.

PAGE 2 RUFLSKA3738 C O N F I D E N T I A L

1. ACCORDING RICHARDSON-MERRELL (R-M) LOCAL PRESIDENT HERNANDEZ, NEGOTIATIONS FOR SALE OF R-M EQUITY TO ANIC WERE PROCEEDING WELL WHEN PARTIES ADJOURNED MAY 28, FOR LONG HOLIDAY WEEKEND. HERNANDEZ INDICATED THAT, WITH AGREEMENT IN PRINCIPLE ALREADY REACHED ON MOST ISSUES, NEGOTIATIONS RESUMING JUNE 3 COULD LEAD DIRECTLY TO SIGNING OF LETTER OF INTENT. HOWEVER, AS FALL-BACK POSITION IN EVENT ANIC NEGOTIATIONS SHOULD HIT SERIOUS SNAG, HERNANDEZ IS KEEPING ALIVE
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CONTACTS WITH BIAGGINI GROUP (MAJOR PRODUCER OF BIOLOGICALS--REF A),

WHICH HAS ALSO EXPRESSED INTEREST IN JOINT VENTURE OR OUTRIGHT PURCHASE OF R-M.

2. ROUND-THE-CLOCK PICKETING OF R-M MANUFACTURING FACILITIES CONTINUES (REF B). HENCE, PRESSURE IS MOUNTING ON HERNANDEZ FROM HIS CORPORATE HIERARCHY EITHER TO CONCLUDE NEGOTIATIONS OR TO TAKE DRASTIC RESTRUCTURING ACTION (FIRING 350-400 EMPLOYEES--REF C), WHILE R-M STILL HOLDS SUBSTANTIAL INVENTORY IN OUTSIDE WAREHOUSES.

3. DURING CONVERSATION WITH COMMERCIAL OFFICER, JUNE 3, GENERAL INSTRUMENTS(GI) VICE-PRESIDENT AND LOCAL MANAGER CORRADETTI OUTLINED SCENARIO HE NOW FORESEES FOR RESOLUTION OF FOUR-MONTH OCCUPATION OF GI NAPLES PLANT. CORRADETTI HAS RECENTLY RETURNED FROM VISIT TO U.S. HEADQUARTERS, WHERE HE OBTAINED APPROVAL FOR

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MANUFACTURE IN NAPLES OF NEW AND DIVERSIFIED PRODUCT LINES.FOLLOWING ELABORATION OF DETAILED PRODUCTION PLANS (AND JUNE 15 ELECTIONS), GI WILL SEEK APPOINTMENTS WITH HIGH-LEVEL ITALIAN GOVERNMENT OFFICIALS TO OUTLINE THESE PLANS AND TO SEEK POLITICAL SUPPORT TO END OCCUPATION. CORRADETTI BELIEVES 314 DISMISSED WORKERS, WHOSE CASE NOW RECEIVING SCANT ATTENTION FROM POLITICIANS, UNIONS, AND PRESS, INCREASINGLY READY TO ACCEPT FINANCIAL SETTLEMENT. THUS, HE HOPEFUL THAT AGREEMENT CAN BE REACHED AND PLANT RESTORED TO GI IN EARLY SEPTEMBER. BULK OF 500 EMPLOYEES REMAINING WOULD THEN BE PLACED UNDER WAGE-SUPPLEMENT FUND COVERAGE AND GRADUALLY REASSUMED DURING SIX-EIGHT MONTH PERIOD, AS TRAINING TAKES PLACE AND NEW PRODUCTION LINES BEGIN OPERATION. ONLY IN APRIL-MAY 1976 WOULD GI PLANT REACH FULL OPERATING LEVELS.

4. AMERICAN SUBSIDIARIES IN BARI (PUGLIA REGION) ALSO EXPERIENCING DIFFICULTIES. STANIC REFINERY, JOINTLY OWNED BY EXXON AND STATE ENTITY ANIC, HAS NOT OPERATED FOR TWO MONTHS, REPORTEDLY BECAUSE OF LACK OF CRUDE. 311 EMPLOYEES RECEIVING FULL SALARY, BUT DEMANDING GUARANTEES OF FUTURE JOB LEVELS. LARGE TIRE PLANT (1300 EMPLOYEES) IN BARI, OWNED 51 PERCENT BY FIRESTONE, HAS LOST 40 PERCENT OF NORMAL PRODUCTION SINCE MARCH, BECAUSE OF LABOR DIFFICULTIES.

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TENSIONS CONTINUING TO BUILD WITHIN PLANT AND NO IMMEDIATE RESOLUTION OF DIFFICULTIES IN SIGHT.

5. NO SIGNIFICANT CHANGE HAS OCCURRED IN CIRCUMSTANCES OF OTHER TROUBLED AMERICAN SUBSIDIARIES.

6. COMMENT: SUCCESS BY R-M'S HERNANDEZ IN CURRENT NEGOTIATIONS REMAINS KEY TO DEFUSING LOCAL SUBSIDIARY ISSUE. AGREEMENT FOR SALE OF R-M EQUITY WOULD LEAVE GENERAL INSTRUMENT, RECEDING AS FOCUS OF POLITICAL AND PUBLIC ATTENTION, AS ISOLATED CASE. ON OTHER HAND,

SHOULD NEGOTIATIONS FAIL, RM'S U.S. MANAGEMENT--WHICH CONTINUES TO
LOOK UPON THE GENERAL INSTRUMENT'S ACTION AS A MODEL FOR POSSIBLE
EMULATION--ALMOST CERTAINLY WOULD INSIST ON A LARGE NUMBER OF DIS-
MISSALS. IN THAT CASE, THE FAT WOULD AGAIN BE IN THE FIRE, WITH
RESOLUTION OF GENERAL INSTRUMENT OCCUPATION ALSO MADE MORE DIFFICULT
AS A RESULT. COLANTONIO

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